DOCUMENT RESUME

ED 386 225 JC 950 413

AUTHOR	Attmore, Robert H.
TITLE	Global Business Institute, Report 95-T-1.
INSTITUTION	New York State Office of the Comptroller, Albany.
PUB DATE	1 Sep 95
NOTE	10p.
PUB TYPE	Reports - Research/Technical (143)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Accountability; *Audits (Verification); *Business Education; Community Colleges; *Compliance (Legal); Educational Finance; Eligibility; *Financial Audits; *Financial Support; Full Time Students; Inspection; Postsecondary Education; Program Administration; Student Financial Aid; Two Year Colleges; Two Year College Students
IDENTIFIERS	*Global Business Institute NY; *Tuition Assistance Program NY

ABSTRACT

In 1995, the New York State Office of the Comptroller performed an audit of Tuition Assistance Program (TAP) awards at Global Business Institute, a two-year business school offering one business-related program leading to a certificate. TAP, the largest student grant and scholarship program administered by the Higher Education Services Corporation (HESC), is designed to provide tuition aid to eligible full-time students enrolled in approved programs. According to HESC's records, Global certified 1,326 students for 3,099 TAP awards totaling $3,378,900 over the period from 1990-91 to 1992-93. Out of a statistical sample of 150 awards, 29 totaling $28,915 were disallowed because the program did not offer the minimum 1,440 hours of instruction or an approved core curriculum, students were not attending full-time, classes exceeded the approved student/teacher ratio by 24%-53%, students did not meet the Institute's entrance requirements, or students were certified for TAP in excess of tuition liability. A statistical projection of audit disallowances to the entire population resulted in a disallowance of $425,988. In addition, 16 awards totaling $11,728 were disallowed from a review of awards outside the statistical sample period, resulting in a total disallowance of $437,716. The auditor recommended that the HESC recover the amount plus interest. (KP)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 386 225

Global Business Institute
Report 95-T-1

PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
R. M. Malan
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
X This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

Robert H. Attmore
Deputy Comptroller

State of New York
Office of the State Comptroller

JC 950 413

BEST COPY AVAILABLE

ARTHUR LEVITT STATE OFFICE BUILDING
270 BROADWAY
NEW YORK CITY

A.E. SMITH STATE OFFICE BUILDING
ALBANY
NEW YORK

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
H. CARL MCCALL
STATE COMPTROLLER

September 1, 1995

Mr. Thomas Sheldon
Commissioner
State Education Department
Education Building
Albany, NY 12234

Mr. Peter Keitel
Acting President
Higher Education Services Corporation
99 Washington Avenue
Albany, NY 12255

Re: Global Business Institute
Report 95-T-1

Dear Mr. Sheldon and Mr. Keitel:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution, Section 8, Article 2 of the State Finance Law and a Memorandum of Agreement dated December 1, 1989 involving the State Comptroller, the Commissioner of Education, the President of the Higher Education Services Corporation (HESC), and the Director of the Budget, we audited the records and procedures used in administering the Tuition Assistance Program (TAP) at Global Business Institute (Global) for the 1990-91 through 1992-93 academic years.

Summary Conclusions

In accordance with Section 665(3)(b) of the State Education Law, we have determined that Global was overpaid $437,716 because school officials incorrectly certified students as eligible for TAP awards. From our statistical sample, we disallowed 29 awards totaling $28,915. A statistical projection of our audit disallowances to the entire population results in an audit disallowance of $425,988. We also disallowed 16 awards totaling $11,728 based on our review of other awards from outside the sample period. We determined that Global was, therefore, overpaid a total of $437,716 in TAP awards. We recommend that HESC recover this amount plus applicable interest from Global.

Background

Global, a two-year registered business school, operates two campuses - one located in Far Rockaway, N.Y. and the other in Manhattan. Global offers one business related program leading to a certificate - Secretary with Word Processing. This program is approved by the State Education Department (SED) as a TAP eligible program.

TAP is the largest of the various student grant and scholarship programs administered by HESC. It is an entitlement program designed to provide tuition aid to eligible full-time students who are enrolled in a variety of programs.

Draft copies of this report were provided to SED, HESC and Global officials for their review and comment. SED and HESC agree with our disallowances. Global officials disagree with most of our disallowances. We have considered and included their comments in preparing this final audit report.

Audit Scope

The objective of our financial and compliance audit was to determine whether Global's management complied with appropriate laws, rules and regulations for certifying students as eligible for TAP awards. The scope of the audit did not include reviewing the records and procedures of HESC as they relate to determining the amount of the awards.

According to HESC's records, Global certified 1,326 students for 3,099 TAP awards totaling $3,378,900 in the 1990-91, 1991-92 and 1992-93 academic years. We selected and reviewed a statistical sample of 150 awards totaling $165,840 paid on behalf of 139 students for the three year period ended June 30, 1993. We also reviewed other awards that came to our attention during the audit.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of Global which are included within our audit scope. These standards also require that we review and report on Global's internal control structure and its compliance with those laws, rules and regulations that are relevant to Global's operations that are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting records and applying such other auditing procedures as we consider necessary. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

In planning and performing our audit of Global, we reviewed management's internal control structure. Our audit was limited to a preliminary review of the internal control structure to obtain an understanding of the environment and the flow of transactions through the accounting system and other systems supporting the claims for student financial aid.

Global management is responsible for complying with laws, rules and regulations. In connection with our audit, we performed tests of Global's compliance with certain provisions of laws, rules and regulations. Our objective in performing these tests was to obtain reasonable assurance that the amount of TAP Global received was allowable. Our objective was not to provide an opinion on Global's overall compliance with such provisions.

The results of our audit indicated that for the transactions and records tested, Global did not comply with the provisions referred to in the preceding paragraph, as noted in the following sections of the report.

Audit Disallowance

The following table summarizes the disallowances that resulted from our audit.

Reason for Disallowance	Number of Awards	Amount	
Disallowances from Statistical Sample			
Program Not Offered As Approved:			
1,440 Approved Hours	5	$ 5,441	
Curriculum Core Requirements	5	5,800	
Full-Time Attendance	12	13,225	
Student/Teacher Ratio	3	3,283	
Admission Requirements	4	4,541	
Certified in Excess of Tuition Liability	6	1,449	
Total Disallowances	35	33,739	
Less: Disallowances for more than one reason	6	4,824	
Net Disallowance	29	$28,915	
Projected Disallowance			$425,988
Disallowances from Years Outside the Statistical Sample:			
Program Not Offered As Approved:			
1,440 Approved Hours	5	$ 3,665	
Curriculum Core Requirements	8	5,864	
Student/Teacher Ratio	1	733	
Admission Requirements	1	733	
TAP Not Posted	1	733	
Total	16		11,728
Total Audit Disallowance			$437,716

The various types of disallowances are discussed in the following sections of this report. Details of the statistical projection, students' names and related information were provided to Global separately.

General Requirements

Registered business schools must follow requirements established in the Education Law (Law), the Commissioner of Education's Rules and Regulations (Regulations) and SED guidelines to schools to ensure that their course hours are taught in an educationally sound manner. Course hours which are not taught in compliance with these requirements are not counted toward total hours when calculating a student's full-time status for TAP eligibility. To determine our TAP disallowances for each student, we reviewed the school's attendance registers to calculate hours that students were taught in a manner that was not educationally sound. For students who graduated, we determined whether the school provided a program which met the minimum 1,440 hour requirement established in Part 126-2.3 of the Regulations.

Section 661 of the Law requires that a student be in full-time attendance, as defined by the Commissioner of Education, to be eligible for financial aid awards. Any course hours which a student was offered that were not in an educationally sound manner, do not count towards a student's full-time status.

Section 5002 of the Law requires registered business schools to employ teachers who are licensed by SED. Part 126.6 of the Regulations states that SED shall act on teacher license applications submitted by the school within 45 days of receipt. In accordance with this requirement, we did not count hours toward a student's TAP eligibility for courses taught by teachers who were not licensed for subjects they were teaching.

Part 126.4 of the Regulations states "the Commissioner shall approve the student-to-teacher ratio for each course or curricula. Schools shall ensure that student enrollment on the attendance register does not exceed the approved ratio after the first week of instruction." This Regulation requires that schools adhere to the maximum student/teacher ratios approved by SED.

Students Who Graduated Without Meeting Requirements

Criteria - Section 601.4 of the Law requires that students attending a registered business school be enrolled in an approved two-year program to be eligible for TAP awards. Section 145-2.3 of the Regulations defines an approved program as one that provides at least 1,440 instructional hours and is approved by SED under Part 126 of the Regulations.

The approved program defines the specific core curriculum which SED has determined provides the most essential skills or competencies needed for students to meet the occupational objectives of the program. SED has established criteria to determine whether any deviations from the approved program's core requirements are serious enough to cause the program to lose its approved status for TAP purposes. SED has concluded that a program's TAP eligibility is lost if a core course was offered for less than 90 percent of its approved length and the total number of instructional hours offered is less than 1,440.

Audit Determination - We identified five awards from the statistical sample and five awards from outside the sample period that were paid to students who graduated but were not offered programs that provided at least 1,440 approved instructional hours as required under the Regulations. We also identified five awards from the sample and eight awards from terms

outside the sample that were paid to students who graduated but did not successfully complete their program's core requirements because classes were taught in an educationally unsound manner. We found instances where classes were taught by unlicensed teachers; two classes were combined in the same room; and teachers were teaching two classes at the same time in different rooms.

The course hours taught in an educationally unsound manner do not count towards the student's 1,440 hour graduation requirement. Also, some of these students did not meet core course requirements because after subtracting the hours taught in the unsound manner, we determined that these courses were offered for less than 90 percent of the approved number of hours to meet core course requirements as mandated by SED.

School Officials' Position - Global disagreed with most of the disallowances. Global believes that its graduates received the essential skills and competencies needed to meet the occupational objectives of their TAP eligible program.

Global believes that the teachers had appropriate qualifications for subjects they taught. With regards to combined classes and teachers teaching two classes at the same time in different rooms, Global stated that educational soundness was considered first; however, they needed to resolve scheduling problems. They stated that no teacher has ever been scheduled to teach two classes at the same time.

Auditors' Comments - Although Global states that its graduates received the essential skills to complete their TAP eligible program, students certified for TAP must meet all requirements in the Education Law. SED has reviewed and confirmed dates of licensure for the teachers we questioned. Based on SED's information, these teachers were not licensed to teach the courses or were not licensed prior to teaching the courses. Also, SED considers certain combinations of courses a violation. Furthermore, SED did not approve Global's use of teachers teaching two classes at the same time. While Global responded that it did not schedule one teacher to teach two classes at one time, we found that this practice did occur.

Students Who Did Not Graduate

The following disallowances relate to students who have not graduated from Global. These students either withdrew from the program or are still attending Global, pursuing their education.

Full-Time Attendance

Criteria - Section 145-2.1 of the Regulations states that in noncollegiate programs, which measure study in terms of instructional hours, full-time study requires at least 24 instructional hours a week.

Audit Determination - We identified 12 awards from the statistical sample paid to students who did not meet full-time attendance requirements. These students were not attending full-time because certain courses were not taught in an educationally sound manner and therefore these course hours do not count toward full-time status. As with the students who graduated, these

non-graduate students were taught by unlicensed teachers and were enrolled in courses where the teacher was teaching another course simultaneously. For each student, we subtracted the course hours where unsound practices were used. Those courses where the remaining hours offered were less than 90 percent of the approved number of hours do not count towards the student's full-time status.

School Officials' Position - Global disagrees with these findings. They maintain their position as previously stated in response to the findings cited for students who graduated.

Auditors' Comments - We have consulted SED on these issues. Based on these discussions and SED's response to our draft report, we conclude that Global is not in compliance with the Law and Regulations. SED concluded that certain teachers were teaching courses that they were not licensed to teach. The school's attendance registers document that one teacher was teaching two courses simultaneously.

Student/Teacher Ratio

Criteria - Part 126 of the Regulations requires registered business schools to offer their programs as approved. Prior to July 1991, SED approved maximum student/teacher ratios at Global of 30:1 for theory and 25:1 for skill. After July 1991, these ratios changed to 24:1 for both theory and skill.

Audit Determination - We identified three awards from the statistical sample and one award from outside the sample paid to students who were in classes that significantly exceeded SED's approved student/teacher ratios. SED has stated "any class which exceeds these numbers is in violation of exceeding the approved student/teacher ratios." This results in Global not teaching the curriculum as approved.

School Officials' Position - Global disagrees with these findings. They maintain that no student had to stand during a class or was denied access to equipment in a skills class. Global further believes that the issue of student/teacher ratios is up for debate.

Auditors' Comments - These disallowed awards were for students in classes that exceeded the SED approved student/teacher ratio by 24-53 percent. In accordance with SED guidance, we maintain our findings.

Admission Requirements

Criteria - Section 667 of the Law requires that students demonstrate the ability to complete the program in order to be eligible for TAP. A student demonstrates that he has the capacity to complete the program by meeting the published admission requirements as approved by SED. According to Section 126.11 of the Regulations, schools are required to document that students meet the entrance requirements for the programs in which they are enrolled.

The SED approved entrance requirements for students enrolling in the program include (1) age 17 or older, (2) a personal interview, and (3) a minimum passing grade of 70 on the New York State (NYS) Preliminary Competency Test in Reading. In March 1991, SED

approved the use of the Career Programs Assessment Test (CPAT) for Global's entrance requirements.

Audit Determination - We regraded entrance exams for the students in our sample and found four sample term awards and one award from outside the sample that were paid to four students whose exams were graded incorrectly and actually did not achieve the minimum passing grade required for admission.

School Officials' Position - Global indicated that one student successfully graduated and became gainfully employed. Two students took the CPAT and NYS Preliminary Competency exam. Global indicated both students passed each exam. For the remaining student cited, Global indicated that there was an error in scoring.

Auditors' Comments - Each of these students did not pass the entrance exam in effect at the time. Although Global states that one student graduated and became gainfully employed, TAP is not a performance-based award. Students must meet all eligibility requirements before they are certified for a TAP award. For the two students who took the CPAT and NYS Competency exam, only one student passed the CPAT. However, in January 1991, at the time this student took the exam, the approved State exam was the NYS Preliminary Competency, which the student did not pass.

TAP Certified In Excess of Tuition Liability

Criteria - Section 661 of the Law states that a TAP award cannot exceed the tuition charged.

Audit Determination - We found Global had certified total tuition liability to HESC in excess of the actual tuition for six students.

School Officials' Position - Global agreed with our disallowances for two students, stating that for one of these students, proper documentation was sent to HESC. However, Global stated that HESC did not make the necessary adjustment to the student's account and acknowledged that they did not follow-up with HESC on this matter. For the other four students, Global states that HESC requires it to certify students for TAP on a different term basis than it bills for tuition. If a student withdraws, Global calculates any refund using its tuition schedule.

Auditors' Comments - The school uses a tuition liability chart to determine student's tuition at various times during the program. Using the school's tuition liability chart, we re-calculated the tuition the school should have reported to HESC for these four students who dropped out. We concluded that the tuition reported to HESC was more than the tuition liability chart showed.

TAP Not Posted

Criteria - Section 2205.3(d) of the Regulations requires that each student's account be credited within 30 days after receipt of a finalized award.

Audit Determination - We found that Global received one award from outside the sample on behalf of a student, but did not credit the student's account for the award received. Global

officials did not properly distribute the funds so this student could benefit from the award.

School Officials' Position - Global stated that the award was not posted due to a clerical error.

Recommendation to the Higher Education Services Corporation

Recover $437,716 plus applicable interest from Global Business Institute for its incorrect TAP certifications.

Recommendation to the State Education Department

Ensure that Global is in compliance with SED regulations as they pertain to educational issues stated in this report.

Major contributors to this report were Robert Blot, David R. Hancox, Frank Russo, Kenneth I. Shulman, David Louie, Kitty Cheung, Orin Ninvalle, and Donald Collins.

We wish to express our appreciation to the management and staff of Global Business Institute for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

R. H. Attmore

Robert H. Attmore
Deputy Comptroller

cc: Patricia A. Woodworth
Moshe H. Wieder